



# School Business Alert

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## School Business Official Authorization Process – School Business Official Standards and Criteria

As the Department works to implement requirements related to the School Business Official authorization and program approval process, the Department determined there was a necessary piece of the conversation missing. There was no consistent definition of the skills and knowledge required of a school business official in code or rule. Just as occurred with teachers over a decade ago, the Department will move forward with an effort to further define the skills and knowledge of a person who successfully attains the School Business Official authorization.

On October 19, 2011, the Department will hold an initial meeting with invited representatives to begin work on the creation of a set of criteria to further define the standards currently existing in statute. All stakeholder groups, including the Board of Educational Examiners, Iowa Association of School Business Officials, Iowa School Business Management Academy, Iowa School Board Association, Iowa State Education Association, the state auditor's office, and School Administrators of Iowa, have been invited to have representatives at this meeting, as well as selected superintendents and business officials from small, medium, and large districts, geographically representative of the state.

The development of these criteria is critical – the purpose of this authorization is to ensure that working business officials have the skills and knowledge necessary to be successful in the current work environment. The state will ensure that training available to school business officials aligns to and supports skill development in the areas identified as critical to job performance. The development of this set of standards and criteria will also help supervisors of school business officials engage in conversations about skill development and evaluation of performance. For additional information, contact Jeff Berger, [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov), 515.281.3968.

## Finance Roundtable and CAR/SES Advisory Committees to Meet

The Department will convene the Finance Roundtable on the morning of October 26, 2011. An agenda for this meeting will be posted closer to the meeting date. The Finance Roundtable is a group focused on addressing issues related to school finance and funding. The primary focus of this group is to ensure good flow of information while creating a forum for addressing any issues that exist. Representation on this group is by invitation, but major stakeholder groups, as well as various school district representatives, participate in these public meetings.

The Department will also convene an ongoing group of stakeholders to address issues specific to CAR/SES implementation. This meeting will occur the afternoon of October 26. This group focuses specifically on analyzing the recent CAR/SES submission process in an attempt to continue to improve that process. This is also a group that meets by invitation, but the meeting is open.

For additional information, contact Jeff Berger, [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov), 515.281.3968.

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The October School Leader Update can be found at:

[www.educateiowa.gov](http://www.educateiowa.gov)

# School Business Alert

## SBRC Rules Amendments Noticed

On October 4, 2011, the School Budget Review Committee (SBRC) noticed amendments for 289 Iowa Administrative Code, chapter 6. In 2010-2011, the SBRC adopted amendments to all other chapters in its rules and rescinded chapter 7 on on-time funding. The amendments to the rules will be published in the Iowa Administrative Bulletin in early November. The Bulletin may be found on this webpage: <http://www.legis.state.ia.us/IAC.html>

The proposed amendments strike sections that are no longer current or that merely repeated Iowa Code, add definitions, modernize the request and notification process, clarify materials to

be provided and what the SBRC will review in making its decisions, changes the cash reserve levy limits to comply with changes in Iowa Code, and codifies previous policy.

Interested individuals may make written comments on the proposed amendments on or before November 22, 2011, at 4:30 p.m. Comments on the proposed amendments should be directed to Su McCurdy, Administrative Consultant, Iowa Department of Education, Second Floor, Grimes State Office Building, 400 East 14th Street and Grand Avenue, Des Moines, Iowa 50319-0146; telephone 515.281.4738; email [su.mccurdy@iowa.gov](mailto:su.mccurdy@iowa.gov); or fax

515.242.5988 to the attention of Su McCurdy.

A public hearing will be held on November 22, 2011, from 1:00 p.m. to 2:00 p.m. in the State Board Room on the second floor of the Grimes State Office Building, 400 East 14th Street and Grand Avenue, Des Moines, Iowa, at which time persons may present their views either orally or in writing. Any person who desires to attend the public hearing and has special requirements, such as those related to hearing or mobility impairments, may advise the Department of Education of specific needs by calling 515.281.5295.

## SBRC Hearings Held on October 4, 2011

The summary of official action by the SBRC at those hearings has been posted on the web at: [http://educateiowa.gov/index.php?option=com\\_content&task=view&id=1624&Itemid=2419](http://educateiowa.gov/index.php?option=com_content&task=view&id=1624&Itemid=2419)

The SBRC has specified that it will require evidence that shows the school boards have held a discussion and have taken official action on any requests to come before the SBRC and that the public has been notified of that action through publication of those minutes in the newspaper. The SBRC will require that publication to be included in the exhibits provided to the committee prior to the hearing. **PLANNING TIP:** This means that a district will need to plan its request to the SBRC early enough to take official action at a board meeting (not consent agenda) and to publish those minutes prior to requesting a hearing before the SBRC. Contact: Su McCurdy, [su.mccurdy@iowa.gov](mailto:su.mccurdy@iowa.gov), 515.281.4738.

## ARRA Funds and Reporting

We are near the close of many of the ARRA funds. The following awards ended September 30, 2011. Funds from these awards had to be obligated on or before that date:

ARRA SFSF Education – State Aid	ARRA Title I – Basic Grants
ARRA SFSF Education – Instructional Support	ARRA IDEA Part B
ARRA SFSF Education – Professional Development	ARRA McKinney-Vento Homeless Youth
ARRA SFSF Govt. Services – State Aid	ARRA Title II – EETT

ARRA reports for the above awards were filed as 100 percent complete and final. Districts still have until December 31, 2011, to liquidate funds based on the obligations made for activities that occurred on or before September 30, 2011.

The following ARRA or Ed Jobs awards are ongoing:

- ARRA Title I – School Improvement – PLAS
- ARRA Teacher Quality Partnership Grant
- Ed Jobs (expires September 30, 2012)

If you did not receive notice of these awards this cycle, please contact me to make the necessary adjustments. All districts will receive one additional Ed Jobs allocation in October, which will be added on to the total award amount in the ARRA reporting system. As a result, all districts will receive a report request again for the quarter ending December 31, 2011.

If you have further questions or concerns, contact Jeff Berger, [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov), 515.281.3968.

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## Certified Annual Report (CAR) - Preliminary Fund Balance Observations

Districts still need to look at fund balance accounts as the edits did not catch everything this year. More edits will be put in place in the future, but will still not catch everything as the use of some accounts are allowable, but may not truly fit the district's situation. If the CAR were capable of giving warnings, these might be some that districts would receive:

### Governmental Funds (10-59)

Accounts 711 and 712 – these are Inventory and Prepaid Items. Be sure the district is using for this purpose only.

Account 713 – Nonspendable Permanent Fund Principal - this should be used in Funds 5x only. At least two districts used this in funds outside of the 50's. Look for a new edit in FY12.

Accounts 716-718 – Nonspendable Fund Balance but not assigned a particular description in the Chart of Accounts (COA). Check to see if the use of these accounts really represents Nonspendable Fund balance in the district. About 30 districts used these numbers.

Account 719 – Same category as above, Nonspendable Fund Balance, but this was the old "Reserved Fund Balance." Check to see if the use of these accounts really represents Nonspendable Fund balance in the district, or the district just rolled over the old reserved fund balance. Sixteen districts used this number.

Account 729 – Restricted for Categorical Aid Carryover, Restricted Fund Balances & Other Reserves. This is the old "Designated Fund Balance." This number should only be used with Governmental funds (Funds 10-59). Over 130 districts used this in the Proprietary Funds (Funds 60-89). Look for a new edit in FY12.

Account 739 – Other Committed Fund Balance. This is the old "Unreserved/Undesignated Fund Balance." Check to make sure the district is using this as a committed fund balance, and it isn't just a roll over from last year's unreserved fund balance. Over 50 districts used this number.

Accounts 740 and 750 – These are headers. Look for a new edit in FY12 not allowing use of these numbers. Four districts used these numbers.

Account 759 – Unassigned Fund Balances – Logic would dictate that every school district has some kind of unassigned fund balances. Over 30 school districts did not use this account code. This equates to the old 739 account number which is allowable, but is now defined differently as a committed fund balance. Districts may want to question their account codes if Account 759 is not being used.

### Proprietary Funds (60-89)

GASB 54 did not affect these funds, but we did need to renumber them. The old 740, 750, and 760 became the new 760, 770 and 780 respectively. Be sure the crosswalk was made in your district to reflect this change. If unchanged, the accounts remaining in the old 760s, Unrestricted Net Assets, just became Investments in Capital Assets, Net of Related Debt, in the new 760s.

Account 760 – six districts reported Investments in Capital Assets, Net of Related Debt in the Trust Funds (Funds 8x). This would seem highly unlikely. Contact: Denise Ragias, [denise.ragias@iowa.gov](mailto:denise.ragias@iowa.gov) or 515.281.4741.

## Clarification on Medicaid Billing and Coding

The state uses the actual costs from the FY09 Special Education Supplement (SES) to calculate rates used in FY11. The actual costs for salaries and benefits reported are multiplied by the district's unrestricted indirect cost rate as a rate calculation methodology. This is not the same as when an indirect cost rate is applied to actual expenditures to determine the amount of the claim. These rates are determined pursuant to the State's Medicaid Plan approved by Continuing Medical Education (CME), and then used for the Medicaid claiming to determine the amount of reimbursement. Since Medicaid claiming uses a fixed rate for the reimbursement, it is not meant to be employee specific when coding to a district's records. The claim helps determine which category of employee is used (such as teacher, nurse, paraeducator).

The portion of reimbursement relating to time spent will all be coded as direct costs to salaries and benefits in the function and objects for the categories claimed. None of this will be coded to indirect costs since the district has not claimed indirect costs for this program expenditure. Contact: Janice Evans, [janice.evans@iowa.gov](mailto:janice.evans@iowa.gov) or 515.281.4740.

# School Business Alert

## Interfund Transfers

Transferring money from one fund to another, especially from the general fund to a proprietary fund, has generated much discussion with the State Appeal Board (SAB) and the School Budget Review Committee (SBRC). Several studies and analyses have been requested of state agencies on the issue, and at least one more is currently being developed. This is the first of several articles planned on the topic.

Tax levies or funds that are required by law to be expended only for the specific items listed in statute shall be accounted for in a similar way to categorical funding. Each fund is mutually exclusive and completely independent of any other fund. No fund shall be used as a clearing account for another fund, and no fund may retire the debt of another fund unless specifically authorized in statute (**IAC 281—98.60**). Throughout Iowa Code, there are references to the fact that funds are separate. Each fund has been created for a specific purpose, and its moneys can be used only for those purposes. There are only 10 known expenditures which are authorized by Code to be expended from more than one fund. This would limit the possibility of legal interfund transfers because the money would have to be expended for a purpose which was authorized in the sending fund, as well as in the receiving fund. Refer to chapter 9 of the Uniform Administrative Procedures for a list of those expenditures with their Code references.

Generally, moneys may not be permanently transferred between funds, other than authorized by 298A.9 and 298A.10, unless the transfer is the residual equity left in a fund for which the purpose of the fund has ended (**24.21**). All allowable transfers or loans require board action, some require a vote of the electorate (**278.1"e"**), some require authorization from the State Appeal Board (**24.22**) and some require authorization from the School Budget Review Committee (**257.31(6)**, **24.6(2)"b"**). The SBRC has general budget oversight on school districts and AEAs, so is authorized to act on any interfund transfers between any school district/AEA funds.

Moneys may be temporarily loaned between certain funds, but these do not result in permanent transfers. These interfund loans must follow

specific steps to be allowed. Those steps have been provided in a letter from the Office of the Auditor of State and in a declaratory order written by the Iowa Department of Education. A summary is presented here:

Bona fide loans authorized by the board, executed by a note at the going rate of interest, and repaid by fiscal year end would not be an audit exception (**Letter, Office of the Auditor of State, September 9, 1980**). All of the following applies to interfund loans:

- ◇ All loans between funds within a fiscal year must be accomplished through official board action and may not be accomplished until the board by resolution authorizes the loan. An interfund loan must not constitute an amendment to the budgeted revenues or expenditures for the fiscal year.
- ◇ The resolution must specify the funds from which and to which the transfer will be made. A note is not necessary if the resolution specifies the terms of repayment including the payment of interest.
- ◇ Interest must be paid from the borrowing fund on the unpaid balance at the rate in effect at the time of the loan as established by rule pursuant to Iowa Code section 74A.6, subsection 2.
- ◇ The loan must be repaid before October 1 of the fiscal year following the fiscal year within which the loan occurred. In the event repayment cannot be made by that time, the school corporation must proceed under the provisions of Iowa Code chapter 74 to issue anticipatory warrants or seek approval of the voters pursuant to Iowa Code section 278.1(5) for transfer of surplus funds from the debt service, physical plant and equipment levy, capital projects,

or public education and recreation levy funds to the general fund, or, for other transfers, seek approval from the State Appeal Board pursuant to Iowa Code section 24.22. Interfund loans within a fiscal year do not require State Appeal Board approval so long as they are repaid by October 1 of the following fiscal year. (**25 D.E. Dec. Ord. 183**).

The SBRC has acted, historically, when improper transfers were noted in audits, reaudits, or citizen concerns or when districts were requesting authority to make interfund transfers to close a fund with a deficit balance when the district had no other recourse. The growing deficit balances in funds without tax sources, and the increase in unauthorized interfund transfers is creating a need for renewed discussions between the SAB and the SBRC.

## Chart of Accounts Uploads

The Finance, Facilities, and Operations team recommends that districts upload their full Chart of Accounts (COA) into the "CAR-2011 COA Test Records" each month and resolve the Stage 1 and 2 edits. Even though the application has not been updated for the 2012 business rules, there are normally very few changes from year to year. Districts can take this opportunity to identify negative accounts and incorrect coding by reviewing Stage 1 on a regular basis and not letting it accumulate to the end of the fiscal year. Contact: Denise Ragias, [denise.ragias@iowa.gov](mailto:denise.ragias@iowa.gov) or 515.281.4741.

## Cash Reserve Limit Levy Maximum Warning

Districts that did not reclassify the old Unreserved Fund Balance from Account 739 to Unassigned Fund Balance in Account 759 in FY11 will run the risk of using an incorrect amount as the maximum cash reserve levy. An easy way to check this is to look at the FY11 CAR / View Reports / Miscellaneous Income Report. The maximum cash reserve levy for FY2013 is computed on lines 14 through 16. Line 15 will pull in the unexpended fund balances (Accounts 740 -759). If this line is blank, the district may not have reported fund balance correctly. More than 30 districts reported no Unassigned Fund Balance. It is the district's responsibility to levy the correct amount, not exceeding the maximum. Questions may be addressed to Denise Ragias at [Denise.Ragias@iowa.gov](mailto:Denise.Ragias@iowa.gov) or 515.281.4741.

## Staff News

Congratulations to Janice Evans and the school finance team and to Betsy Lundy, who brought back three national fiscal common core of data (CCD) awards for outstanding performance in timely and complete data reporting on the National Public Education Financial Survey (NPEFS), F-33 School System Survey, and the Teacher Compensation Survey.

Jay Pennington and Su McCurdy are working with a consultant to co-lead the School Interoperability Framework (SIF) Financial Objects Project Team to align the SIF financial objects with the reporting elements of NPEFS and F-33 fiscal data surveys. All states and U.S. territories complete these fiscal surveys, so the alignment of the SIF specifications for financial reporting will make this business case extensible and applicable to a much broader audience than Iowa. Joyce Thomsen and Roger Petersen are assisting with developing the alignment.

## Data Collections Open to Districts

### School Association Reporting

Iowa Code 279.38 and 279.38A requires the boards of school corporations that pay membership dues to the Iowa Association of School Boards or other organizations which directly relate to the functions of the board of directors, to report annually to the local community and the Department of Education the amount the board pays in annual dues to the organization, the amount of any fees paid and revenue or dividend payments received for services the board receives from the organization, and the products or services the school district received inclusive with the membership in the organization. A new data collection called School Association Reporting will be available to districts approximately the 3<sup>rd</sup> week of October and will be due to the Department of Education on November 15, 2011. Instructions will be posted on the CAR webpage [http://educateiowa.gov/index.php?option=com\\_content&view=article&id=1621&Itemid=2970](http://educateiowa.gov/index.php?option=com_content&view=article&id=1621&Itemid=2970)

Questions may be addressed to Denise Ragias at [Denise.Ragias@iowa.gov](mailto:Denise.Ragias@iowa.gov) or 515.281.4741.

### SBRC Application Via EASIER

The School Budget Review Committee (SBRC) application is now available in a browse-only mode. Starting this year, EASIER data are used to pre-calculate the maximum Modified Allowable Growth requests. Contact: Joyce Thomsen, [joyce.thomsen@iowa.gov](mailto:joyce.thomsen@iowa.gov) or 515.242.5612.

## Upcoming Deadlines

Nonpublic Certified Enrollment	10-15
Nonpublic Textbook Services Request	10-15
Certified Supplementary Weighting	10-15
School Board Officers Report	11-1
Whole Grade Share—Last Day for Public Notice of Board Intent	11-1
School Association Reporting	11-15